

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5702

WASHINGTON STATE FRUIT COMMISSION

Agency No. 515

April 1, 1994 Through March 31, 1996

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WASHINGTON STATE FRUIT COMMISSION
Agency No. 515
April 1, 1994 Through March 31, 1996

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996 and 1995, and have issued our report thereon dated August 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Washington State Fruit Commission is the responsibility of the commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the commission's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington (RCW) 43.09.260*. This statute requires the State Auditor to inquire as to whether the commission complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the commission's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the commission and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

August 30, 1996

WASHINGTON STATE FRUIT COMMISSION

Agency No. 515

April 1, 1994 Through March 31, 1996

Independent Auditor's Report On Internal Control Structure At The Financial Statement Level

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the general-purpose financial statements of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996 and 1995, and have issued our report thereon dated August 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the commission, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

August 30, 1996

WASHINGTON STATE FRUIT COMMISSION
Agency No. 515
April 1, 1994 Through March 31, 1996

Independent Auditor's Report On Financial Statements

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the accompanying financial statements of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996, 1995, and 1994, as listed in the table of contents. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The commission recorded grant and certain promotional receipts as expenditure reductions rather than revenue. As a result, grant revenues and expenditures were understated \$478,272 in 1996 and \$564,839 in 1995. Revenues and expenditures associated with promotional services were understated by \$350,000 and \$300,00, respectively.

The commission has not recorded depreciation on its office building which should be done in order to conform with generally accepted accounting principles (GAAP). If the building was depreciated over a depreciable life of 35 years, fixed assets and fund balance would be reduced by \$97,387, \$91,184, and \$84,981 as of March 31, 1996, 1995, and 1994, respectively, and net income would be reduced by \$6,203 for each year.

The commission did not record a 1994 land donation of \$200,000 in their financial statements. To conform with GAAP, the donated land should have been recorded as an asset and an increase to fund balance at the date of the donation.

The commission failed to record deferred compensation of \$410,861 and \$340,300 for 1996 and 1995, respectively. To conform with GAAP, deferred compensation should have been recorded as an investment and a liability.

The commission did not present a reconciliation of net income to net cash flow from operating activities as required by Governmental Accounting Standards Board Statement No. 9 when operating income is not separately identified on the opening statement.

In our opinion, except for the effects of items as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Fruit Commission at March 31, 1996, 1995, and 1994, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 1996, on our consideration of the commission's internal control structure and a report dated August 30, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

August 30, 1996

WASHINGTON STATE FRUIT COMMISSION
Agency No. 515
April 1, 1994 Through March 31, 1996

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the general-purpose financial statements of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996 and 1995, and have issued our report thereon dated August 30, 1996. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Washington State Fruit Commission taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

August 30, 1996

WASHINGTON STATE FRUIT COMMISSION
Agency No. 515
April 1, 1994 Through March 31, 1996

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the general-purpose financial statements of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996 and 1995, and have issued our report thereon dated August 30, 1996.

We have applied procedures to test the commission's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the Schedules of Federal Financial Assistance, for the fiscal years ended March 31, 1996 and 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act

The following requirements were determined to be not applicable to its federal financial assistance program:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Administrative requirements, including subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the commission's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the commission had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not

limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

August 30, 1996

WASHINGTON STATE FRUIT COMMISSION

Agency No. 515

April 1, 1994 Through March 31, 1996

Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the general-purpose financial statements of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996 and 1995, and have issued our report thereon dated August 30, 1996.

We also have audited the commission's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, for the fiscal years ended March 31, 1996 and 1995. Those requirements include types of services allowed or unallowed.

The management of the commission is responsible for the commission's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the commission's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Washington State Fruit Commission complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance program for the fiscal years ended March 31, 1996 and 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

August 30, 1996

WASHINGTON STATE FRUIT COMMISSION

Agency No. 515

April 1, 1994 Through March 31, 1996

Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs

Board of Commissioners
Washington State Fruit Commission
Yakima, Washington

We have audited the general-purpose financial statements of the Washington State Fruit Commission as of and for the fiscal years ended March 31, 1996 and 1995, and have issued our report thereon dated August 30, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated August 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the commission complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 30, 1996.

The management of the commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Purchasing and receiving
 - General ledger
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
- **Specific Requirements**
 - Types of services

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Receivables
 - Accounts payable
 - Payroll
 - Inventory control
 - Property, plant, and equipment
- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements

- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended March 31, 1996, the commission expended 100 percent of its total federal financial assistance under one major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the commission's major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

August 30, 1996